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|----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
|                   | <p>CONGRESSIONAL PROGRESSIVE CAUCUS CHAIRMAN</p> <h1>Dennis Kucinich</h1> <p>Rep. Barbara Lee, Vice Chair      <a href="http://progressive.house.gov">http://progressive.house.gov</a></p> |  |
| <p>Officers: Sen. Paul Wellstone, Rep. Cynthia McKinney, Rep. Bernie Sanders, Rep. Major Owens</p> |                                                                                                                                                                                            |                                                                                     |

## NEWS UPDATE - February 8, 2001

### SPECIAL EDITION: TAX EXTRAVAGANZA

#### SUMMARY

##### In the News...

- THE AMERICAN PEOPLE'S DIVIDEND: Details of the newly-minted Congressional Progressive Caucus's plan that will provide every man, woman and child with \$300 per year in tax relief, as long as a surplus exists. As Progressive Caucus Member Rep. Major Owens (D-NY) said, "Now is the time for labor unions, grassroots organizations, the Congressional Black Caucus, the Congressional Hispanic Caucus and all others to join us in making this bill a reality."
- THE BUSH PLAN: The Wall Street Journal explores how Bush's tax plan is a giveaway to the richest Americans, and how the Progressive Caucus's American People's Dividend plan is gaining steam as the more fiscally-prudent across-the-board proposal. As the Journal shows, the Progressive Caucus plan provides more tax relief to 80% of Americans than does the Bush plan, at half the cost.
- PROTECTING THE SURPLUS: CongressDaily reports that despite the fact that Bush continues to say he will pay for his tax cut with the surplus, the White House "opposes efforts – even those advanced by moderate Republicans – to construct a 'trigger' that would permit tax cuts only if a surplus were available to pay for them." Experts note that the surplus projections Bush is counting on to fund his tax cuts are based on very optimistic economic projections of 3% or more growth per year, despite the fact that Fed Chairman Greenspan noted last week that U.S. economic growth is currently at zero.
- WHITEWASHING: The New York Times reports on Bush continuing to parrot the factually inaccurate spin that his tax cut helps everyone equally.
- PAYING BACK THE FAT CATS: The Wall Street Journal reports that the "GOP's most generous donors were treated to a private luncheon on Wednesday with President Bush to discuss his tax package. All told, about 20 industry executives who gathered at the White House had contributed more than \$14 million to GOP causes in the last campaign cycle. The luncheon was longer and much more private than President Bush's Tuesday tax-cut event in Virginia with a group of small business owners."

##### From the Editorial Pages...

- THE BOSTON GLOBE editorial board rips apart the Bush plan saying that with so much inequality in America, "the next tax cut ought to mitigate this reality, not worsen it."
- SYNDICATED COLUMNIST Matthew Miller writes for the Tribune Newspapers about "Bush's Big Little Tax Lie." As he says about Bush's announcement of his plan: "You couldn't be sure if Bush realized that he was the one waging class warfare by offering more relief to a handful of wealthy Americans than to tens of millions of working stiffs."
- SYNDICATED COLUMNIST Al Hunt writes in the Wall Street Journal that Bush is not being honest in his accusations that critics of his tax plan are waging class warfare. As he writes, "Why is it class warfare if the argument is that hard-pressed lower-income working folks ought to get proportionally more? No one is arguing that higher taxes ought to be slapped on Bill Gates or Marc Rich."

##### Quote of the Day...

"George W. Bush, like many people born with a silver spoon in his mouth, can be very charming. He can smile and he can tell a joke, but let's not confuse substance with charm. And he's not half as smart as Bill Clinton."

– Congressman Maurice Hinchey (D-NY) on the Bush Administration tax giveaway to the rich (Reuters, 1/8)

# **In the News on February 8, 2001**

## **Progressive Caucus Introduces Across-the-Board Tax Relief Package for All Americans**

WASHINGTON – The Congressional Progressive Caucus today unveiled a major, across-the-board tax package that would provide substantial and equal tax relief to all Americans. Entitled the “American People’s Dividend,” the plan would provide \$300 annually to every man, woman and child in America as long as a budget surplus exists, at \$900 billion over ten years. The Bush tax plan, on the other hand, provides 50% of the benefits to the wealthiest 5% of the population at an astounding \$1.6 trillion. Not coincidentally, the Wall Street Journal today reported Bush held a White House meeting with the wealthiest GOP donors to his campaign to discuss how the plan will benefit them.

Progressive Caucus Chairman Dennis Kucinich said, “Unlike President Bush’s tax proposal which gives most of the tax benefits to the very few, the Progressive Caucus is proposing the American People’s Dividend that gives every person equal tax relief to every man woman and child every year there is a budget surplus. Our plan is simple – everyone, regardless of income, receives the same benefit. For a family of four, this would mean \$1200 a year in tax relief. In the coming weeks, the Progressive Caucus will be working as a cohesive unit to reach out to leaders from all political perspectives who want to see substantial and truly fair tax relief for all Americans.”

Specifically, as the Wall Street Journal noted today, the American People’s Dividend actually provides substantially more tax relief to 80% of the population than the Bush plan.

Rep. Bernie Sanders (I-VT), one of the principal architects of the Dividend, noted that unlike the Bush plan, the American People’s Dividend provides tax relief even to those who might not pay substantial income tax.

Sanders said, “While the Bush proposal essentially leaves out seniors and low-income workers, this plan helps everyone. Our premise is based on the fact that Americans rich and poor helped build the surplus, and therefore everyone should get an equal part of that surplus – not just the wealthy. This plan is simple, across-the-board, and fiscally prudent. President Bush should stop trying to trick the American people into believing that his plan helps everyone, and start pushing a plan like ours that gives everyone the same benefit.”

Progressive Caucus Vice Chair Rep. Barbara Lee pointed out that the American People’s Dividend was the fastest most efficient way of delivering immediate tax relief and economic stimulus.

“With the skyrocketing costs of housing, medicine, college education, and other important and necessary items, we must act now to benefit people who need this tax credit to enhance the quality of their lives,” said Rep. Barbara Lee (D-CA). “It is time for us to focus our efforts on helping those who are truly in need - not just those wanting huge tax breaks when they already make hundreds of thousands or even millions of dollars per year.”

Rep. Major Owens (D-NY), a senior member of both the Progressive and the Black Caucus, said he would be spearheading an effort to reach out to different groups in Congress and at the grassroots level to build support for the American People’s Dividend.

Owens said, “I urge labor unions, citizens organizations, the Hispanic Caucus, the Black Caucus and all other groups who want to see fair tax relief to get behind the plan and help make it a reality.”

Other Members who attended the press conference were Reps. Maurice Hinchey (D-NY), Jerrold Nadler (D-NY) Peter DeFazio (D-OR) and Bob Filner (D-CA).

## **The American People’s Dividend**

Produced by the Congressional Progressive Caucus

The Progressive Caucus proposes giving about \$300 to every American man woman and child. Unlike Bush’s tax plan, which only gives something big to the wealthy and nothing to low income workers, our American People’s Dividend gives the same thing to everybody. Truly something for everyone.

## The Problem:

President Bush argues that upper income people pay a larger share of the taxes, therefore they should get a larger tax cut. We disagree. These people have significantly benefited from the economic boom of the 1990s, while those in the bottom range of incomes have received little benefit. It's these folks that we must help.

President Bush's plan is "Reaganomics" revisited, it's fiscally irresponsible, and will blow a huge hole in the federal budget while leaving no money for critical domestic investments or debt reduction. Economists agree that Bush's tax cut plan is not going to cost \$1.6 trillion, it will cost somewhere between \$2.0-2.5 trillion. Despite spending all this money, the President's tax plan gives little to nothing for those with little income. In fact, anyone below 140% of the poverty line, will get a zero tax cut. However, President Bush's plan will only get bigger when the corporate lobbyists get their take.

## The Solution:

The Progressive Caucus believes that tax relief must flow to those who need it the most, the working class and people with limited incomes. We have endorsed an idea called the American People's Dividend. We'll give a dividend to every American, because every American is an equal shareholder in America. We estimate the total cost to be about \$900 billion over 10 years.

The plan will give to every person about a \$300 refundable tax credit. A married couple with three children will receive \$1500, \$300 for each member of the family. This plan is simple, easy to administer, and progressive. The plan could provide an economic stimulus since it would put money in people's pockets immediately. Unlike the Bush proposal, which reserves 40% of the tax benefits for the wealthiest 1% of the population, our proposal gives the wealthiest 1% exactly 1% of the tax relief. This makes the bulk of tax relief available for the bulk of the population.

The American People's Dividend is payable every year the federal budget is in surplus.

| <b>Comparison of Progressive Tax Plan and President Bush's Plan</b> |                    |                       |
|---------------------------------------------------------------------|--------------------|-----------------------|
|                                                                     | <b>The Wealthy</b> | <b>The Low Income</b> |
| <b>Progressive Caucus American Peoples Dividend</b>                 | \$300              | \$300                 |
| <b>President Bush's Tax Cuts</b>                                    | \$46,000           | \$0                   |

The Caucus believes money left in the surplus beyond that amount is better spent on national priorities such as a prescription drug program and education.

The Progressive Caucus plan is part of a larger budget framework that will be unveiled in the coming few weeks. That framework will protect SS and Medicare, pay down debt, provide tax cuts, and vastly increase domestic spending on education, health care, housing, alternative energy, and veterans programs.

# The American People's Dividend: Questions and Answers

Produced by the Congressional Progressive Caucus

Question: What is the American People's Dividend?

Answer: A plan that would simply provide \$300 in tax relief to every man, woman and child in America, provided a budget surplus exists. Proposed by the Congressional Progressive Caucus, the dividend distributes across-the-board tax relief equally to all Americans.

Question: Are there income requirements that I must meet to receive the Dividend?

Answer: No. Everyone gets the same dividend. You get \$300, and so does Bill Gates. As long as there is a surplus, every single American receives the annual Dividend.

Question: How do families receive the Dividend for their children?

Answer: The Dividend is given per dependent on the filer's tax return.

Question: Why is the Dividend a much more fair way to provide tax relief than the Bush Plan?

Answer: By all statistical analysis – conservative and liberal alike – the Bush plan provides the bulk of the tax relief to the wealthiest Americans. Specifically, under the Bush package, the wealthiest 1% of the population receives 40% of the benefits, and the bottom 95% of the population receives less than 50% of the benefits. Under the Dividend, tax relief is spread equally. The wealthiest 1% of the population receives 1% of the tax relief.

Question: How does the Dividend do a better job of protecting the hard-earned surplus than the Bush Plan?

Answer: The Dividend is contingent on the existence of a surplus. The Bush Plan, on the other hand, enacts massive changes to the tax code, locking in huge, costly tax breaks to the wealthy, regardless of whether it is fiscally prudent at the time.

Question: Why is the Dividend the fastest, most effective way to make tax relief boost the economy?

Answer: Instead of putting huge sums of money into the hands of a handful of a few, as the Bush plan seeks to do, the Dividend provides instant tax relief to all Americans, the majority of whom are middle income, working families. Unlike the wealthy beneficiaries in the Bush Plan, the middle income families who get the bulk of the tax relief with the Dividend are more likely to pump this tax relief into the economy for basic human needs – food, clothing, housing, health care and education. That will provide an instant and broad-based stimulus to a variety of economic sectors.

## **Democrats Aim to Slow Tax Cuts As Republicans Build Wish Lists**

Wall Street Journal

WASHINGTON -- President Bush faces a two-front war in a Congress where Democrats think his \$1.6 trillion tax-cut package is too reckless and could bring back deficits, and conservatives want to fatten it even more.

Middle ground is mighty elusive, and for now belongs to a band of centrists who are rallying behind various schemes that would allow for a sizable tax cut but provide an escape hatch in case times turn bad. One popular version is a trigger mechanism that would stop tax cuts from rolling out if surpluses fail to materialize. A second, simpler alternative would be to give taxpayers a smaller permanent tax cut, but add a rebate or dividend if surpluses allow.

Democratic Party leaders who are courting the centrists will try to slow the Bush plan by offering a cheaper package of cuts that target working families. They hope to unveil their counteroffer before the president's first address to Congress, expected by the end of this month. Meanwhile, House Republicans, using Mr. Bush's plan as a starting point, will begin sifting through tax-cut wish lists in hearings next week.

The Democrats' tax package is likely to address the creeping threat of the alternative minimum tax, and the growing payroll-tax burden. That is a major priority for Rep. Charles Rangel of New York, ranking Democrat on the House Ways and Means Committee, where tax bills typically originate. The Democrats' bill is expected to offer relief to all taxpayers through a rebate or an across-the-board cut of the lowest tax rate, which everyone pays.

The rebate idea is popular because it is straightforward, as well as temporary. It would be awarded yearly, provided that the surplus continues to materialize. The 55-member Progressive Caucus -- 54 liberal House members plus Sen. Paul Wellstone of Minnesota -- is pushing a proposal that would cost \$900 billion over 10 years, a little more than half the Bush figure. That would translate into a check for about \$320 per year for every man, woman and child.

"Like Mr. Bush likes to say, our plan touches all American families -- but in a far more equitable and responsible way," says caucus member Rep. Bernie Sanders, a Vermont independent.

Democrats also favor a refundable income-tax credit or an expansion of the earned-income tax credit, to give some relief from payroll taxes, which disproportionately hit lower-income and middle-income workers. And in crafting their plan they will challenge Mr. Bush to better protect middle-class families from the alternative minimum tax.

Mr. Bush concedes the alternative minimum tax is a big problem, but one that is too costly to fix entirely at this stage, said Rep. Richard Neal (D., Mass.), who raised the issue with the president at a White House meeting. Mr. Neal has a bill to repeal the tax, at a cost he estimates at about \$100 billion -- though it would approximately double with the Bush tax cuts figured in. Sens. Blanche Lincoln (D., Ark.) and Richard Lugar (R., Ind.) Tuesday night filed a bill that would take some steps to fix the problem at a cost of about \$85 billion over 10 years.

The way most Democrats see it, the Bush tax cuts are a campaign gimmick that have become dangerous now that real money is at stake. Senate Minority Leader Tom Daschle says he feels obliged to take a strong stand against the Bush package -- he still rues having voted for Ronald Reagan's tax cuts in 1981.

"I feel responsible for what happened in '81," said Mr. Daschle of the bidding war that broke out then in Congress that expanded the Reagan tax cuts and contributed to later deficits. "If I can rectify the mistakes ... by calling attention to the same pitfalls that exist now that existed back then ... we ought to do that."

Among Republicans, a debate is heating up over whether \$1.6 trillion is a final figure or a starting point. Some GOP leaders are playing to conservatives and business interests who would add still more to the plan, while a more cautious set of committee chairmen try to adhere to Mr. Bush's script.

GOP allies in the business community are openly calling for more tax breaks. "We think there will be an ample opportunity for us to discuss business tax cuts that we are absolutely committed to," says U.S. Chamber of Commerce President Thomas J. Donohue.

Sen. Charles Grassley, chairman of the Senate Finance Committee, which has jurisdiction over tax bills, says that business tax breaks "by themselves ... have a very good economic rationale." But he adds that not only does he oppose doing them now, so does the president and Rep. Bill Thomas, chairman of the House Ways and Means panel. Businesses aren't entirely left out of the Bush proposal. Small retail and wholesale operations have a major stake in the rate reductions and estate-tax repeal provisions of the president's plan. John Motley, a veteran small-business lobbyist who now represents the Food Marketing Institute, says: "When you cut individual rates, you are directly stimulating small business."

The very design of the \$1.6 trillion tax-cut plan, which would phase in over many years, invites adjustments in the timetable. The GOP could pick up votes by accelerating the president's plan for lowering the 15% rate to 10%, which Mr. Grassley says is "more doable" than tampering with cuts in the top rates.

But Mr. Grassley says he plans to hold the line at \$1.6 trillion despite prodding from Senate Majority Leader Trent Lott and House Majority Leader Richard Arney to do more. The Iowa Republican said Treasury Secretary Paul O'Neill "pleaded" with him last weekend to see that the number doesn't go higher.

The check on conservatives will be an untested coalition of centrists, both Republicans and Democrats, who hold the balance of power in the 50-50 Senate. Their solution is a trigger mechanism, which would make future tax cuts contingent on surpluses and debt reduction. Indiana Democratic Sen. Evan Bayh, a leading proponent, says he is "not prepared to commit" to a \$1.6 trillion tax cut, but that "a trigger would certainly make me more comfortable voting for a higher number than would otherwise be the case."

Sen. Bayh says the centrists are taking their cue from Federal Reserve Chairman Alan Greenspan, but they face opposition on the left and right. Whatever the prospects, the trigger debate suggests that some Senate Republicans aren't ready to endorse a package as large as Mr. Bush has proposed. A trigger "mitigates the effect" in hard times, says

Sen. Olympia Snowe, a Maine Republican and crucial swing vote on the finance committee.

Another wavering Republican is Sen. Lincoln Chafee of Rhode Island, who says his priorities are paying down the debt and investing in a drug benefit for Medicare and education. Even with a trigger, "I'm not sure how fast I want to go on this," he says.

## Who Wins?

### Wealthy Pay a Bigger Share . . .

President Bush points out that people making more than \$100,000 would actually pay a larger share of federal income taxes under his plan. Percent of income taxes paid by group:

| Income          | Current Law | Bush Plan |
|-----------------|-------------|-----------|
| Less than \$10k | -0.9%       | -1.1%     |
| \$10k-20k       | -1.0        | -1.4      |
| \$20k-30k       | 2.2         | 1.9       |
| \$30k-40k       | 4.1         | 3.8       |
| \$40k-50k       | 5.4         | 5.1       |
| \$50k-75k       | 14.6        | 14.2      |
| \$75k-100k      | 13.6        | 13.4      |

|                      |      |      |
|----------------------|------|------|
| <b>\$100k-200k</b>   | 22.8 | 23.2 |
| <b>\$200k and up</b> | 39.1 | 40.9 |

Source: *Bush campaign*

### ... But Get More Back

But the well-to-do would enjoy significant cuts in their overall federal tax burdens, when employment taxes and consumer excise taxes are included. Effective tax rates:

| <b>Income</b>          | <b>Current Law</b> | <b>Bush Plan</b> |
|------------------------|--------------------|------------------|
| <b>Less than \$10k</b> | 9.8%               | 9.7%             |
| <b>\$10k-20k</b>       | 7.4                | 7.0              |
| <b>\$20k-30k</b>       | 12.2               | 11.4             |
| <b>\$30k-40k</b>       | 15.9               | 14.9             |
| <b>\$40k-50k</b>       | 17.3               | 16.2             |
| <b>\$50k-75k</b>       | 19.7               | 18.4             |
| <b>\$75k-100k</b>      | 22.1               | 20.8             |
| <b>\$100k-200k</b>     | 25.0               | 23.6             |
| <b>\$200k and up</b>   | 28.9               | 27.1             |

Source: *Joint Committee on Taxation*

### ... And Still More

Add in repeal of the estate tax to the income-tax cuts, and the benefit to higher earners is even greater, liberal critics say. Effect of President Bush's overall tax plan:

| <b>Group</b>      | <b>Income Range</b> | <b>Average Income</b> | <b>Average Tax Cut</b> | <b>Percentage of Total Cut</b> |
|-------------------|---------------------|-----------------------|------------------------|--------------------------------|
| <b>Lowest 20%</b> | less than \$13,600  | \$8,600               | \$42                   | 0.8%                           |
| <b>Second 20%</b> | \$13,600-24,400     | \$18,800              | \$187                  | 3.5                            |
| <b>Middle 20%</b> | \$24,400-39,300     | \$31,100              | \$453                  | 8.4                            |
| <b>Fourth 20%</b> | \$39,300-64,900     | \$50,700              | \$876                  | 16.2                           |
| <b>Next 15%</b>   | \$64,900-130,000    | \$86,800              | \$1,447                | 20.1                           |
| <b>Next 4%</b>    | \$130,000-319,000   | \$183,000             | \$2,253                | 8.4                            |
| <b>Top 1%</b>     | \$319,000 or more   | \$915,000             | \$46,072               | 42.6                           |
| <b>All</b>        |                     | <b>\$50,800</b>       | <b>\$1,070</b>         | <b>100.0</b>                   |

## Bush Rejects Trigger For Tax Cuts

CongressDaily

President Bush opposes efforts--even those advanced by moderate Republicans--to construct a "trigger" that would permit tax cuts only if a surplus were available to pay for them, White House Press Secretary Ari Fleischer said Wednesday.

Fleischer indicated that statutorily linking tax reduction to the surplus would be unwise because it could cause cuts to be rescinded.

"There's been this talk about a trigger, that we shouldn't cut taxes unless we put in a trigger. Well, that's the equivalent of saying that we're going to reimpose a marriage tax penalty on people--that we're going to raise taxes on people," Fleischer said. "And President Bush does not subscribe to that notion."

Fleischer sought to minimize the relevance of such a plan, noting that recent estimates of the surplus have turned out to be too conservative.

"The biggest threat to the surplus is government spending," Fleischer charged.

Some GOP moderates have recently spoken favorably about the idea of making tax cuts contingent on the availability

of a surplus.

But Senate Finance Chairman Grassley added his voice to the chorus of Republicans who have rejected the idea--floated by Sen. Olympia Snowe, R-Maine, and other moderates--to create the trigger mechanism.

Grassley argued that such a mechanism "would undo a lot of good" that tax cuts can achieve for the economy by introducing an element of uncertainty.

Budget Chairman Domenici, who also opposes the trigger concept, told reporters he plans to talk to moderates concerned that the tax cut could imperil progress in reducing the publicly held debt--in order to allay their fears. Domenici said that once he presents the overall budget picture to moderates, "I am convinced that our Republican family of senators" will realize "there really is plenty of surplus" to effectively pay off the publicly held debt over the next 10 years while providing the entire \$1.6 trillion Bush tax cut.

Emerging Wednesday afternoon from a meeting with Bush, Ways and Means Committee members of both parties said Bush firmly rejected calls either to expand or shrink the \$1.6 trillion tax cut--which will be sent to Congress today. Bush also brushed aside suggestions that new corporate tax breaks be added to the mix, saying that additional tax cuts for business were "off the table," according to a member who was present.

"He's really very satisfied with the plan he has," said Rep. J.D. Hayworth, R-Ariz., after the meeting.

Rep. Jennifer Dunn, R-Wash., said she supports Bush's resistance to adding new tax cuts for businesses--indicating that provisions such as a cut in corporate capital gains taxes may gain currency if surplus projections increase further when new estimates are made this summer.

Grassley told reporters the size of the cut provides flexibility to fit a host of other tax items within Bush's \$1.6 trillion limit. But he pointed out that the rate reduction, regarded as the centerpiece of the economic stimulus package, could cost \$857 billion over 10 years.

While congressional Democrats have embraced the idea of rate cuts, they have insisted that such a tax cut be progressive.

Grassley balked at the idea that the Bush proposal would deliver more tax relief to the wealthy and insisted Bush's plan would make the tax system even more progressive.

Ways and Means Chairman Thomas also said there are many ways to cut the rates that could help make room for other items.

Meanwhile, one moderate Democrat whom Republicans had hoped would support the Bush tax cut indicated Wednesday that she is not likely to do so.

Sen. Mary Landrieu, D-La., said the White House's \$1.6 trillion plan is "is too high, and the package is not as fair as it could be to middle-class families."

Landrieu--who faces a tough 2002 re-election race in a state that voted for Bush last November--echoed concerns raised by Senate Minority Leader Daschle and Budget Committee ranking member Kent Conrad, D-N.D., that if current CBO projections are incorrect, committing so much of the non-Social Security surplus to tax cuts could result in another era of budget deficits.

Landrieu said she is "personally concerned" that a large tax cut would not leave enough money out of the projected 10-year, \$3.1 trillion non-Social Security surplus for "strategic investments"--in education and defense, in particular. Like Conrad, Landrieu said she believes that the government needs to make a "substantial down payment" on debt reduction, beyond simply using the current Social Security surpluses to reduce the publicly held debt.

Grassley made it clear that he considers \$1.6 trillion over 10 years to be the "outer limit" on the size of the tax cut, despite the urging of some Republicans--most prominently Senate Majority Leader Lott and House Majority Arney--to make it even bigger.

In contrast, Grassley, whose committee will have to write the tax bill, told reporters, "Everything that is done will have to be done within that limit."

Bush and administration officials continued to meet Wednesday with varying groups of House members and senators on the tax cut proposal.

Reps. Bob Clement, D-Tenn., and Brian Baird, D-Wash.--both considered members of the House Democrats moderate wing--held a "a very positive meeting" with White House economic adviser Lawrence Lindsey Wednesday, according to Clement's spokeswoman.

The spokeswoman said Bush administration officials are interested in a proposal by Clement and Baird for a state sales-tax deduction from federal income taxes.

Under existing tax law, individuals can deduct their state income tax from their federal taxes. However, several states do not impose an income tax, making the federal deduction meaningless. Clement and Baird are proposing to allow federal taxpayers to deduct either their state sales or income tax.

The tax break would provide an estimated \$18 billion in relief over 10 years to taxpayers in Florida, Nevada, South Dakota, Tennessee, Texas, Washington state and Wyoming.

Not only would the bill provide relief to Clement's and Baird's constituents--but to the home states of Bush and Vice President Cheney as well.

"Congressman Clement feels cautiously optimistic about getting their support," his spokeswoman said. In a related development, the Blue Dog Coalition of conservative House Democrats will host OMB Director Daniels at their weekly policy meeting next Tuesday, according to sources. Vice President Cheney met with the group this week.

"It's mostly a get-acquainted session, but we will ask a lot of questions about how tax cuts fit into the overall budget framework," said a Blue Dog insider.

## **To Blunt Criticism, Bush Reunites Working Families Backing His Tax Cut**

New York Times

WASHINGTON, Feb. 7 — President Bush today trotted out some of the working families that he used in the presidential campaign to put a human face on his tax-cut plan and counter Democratic suggestions that his proposal was overly skewed toward the rich.

But even as Mr. Bush sought to focus on how the middle class would benefit from his plan, a group of business executives visited the White House to urge the president to increase the benefits that corporations would receive. The president also met with 21 members of the Ways and Means Committee, the key tax-writing panel in the House, to try to forge consensus on the centerpiece of his domestic agenda. In that session, he faced supporters and skeptics alike and, in the words of Representative Jennifer Dunn, Republican of Washington, "showed the strength of his backbone."

Mr. Bush, who is to send the plan to Congress on Thursday, acknowledged that he was being pushed by various interests to either scale back or ratchet up his campaign pledge to cut taxes by \$1.6 trillion over 10 years. But the president said he would fight to keep the tax cut from wavering in either direction.

"I think for those who want to diminish the size of the tax cut, that would be inadvisable, and for those who want to increase the size of the tax cut, that would be inadvisable," Mr. Bush told reporters. "It's the right size." The president gathered in the South Portico of the White House this morning with 21 of the "tax families" that his campaign aides rounded up to stand on stage at rallies as examples of the everyday people who would benefit from Mr. Bush's tax policies.

It was a multiracial crowd that included a waitress, a car repairman, two secretaries, a physical therapist and plenty of children. "It's totally exhilarating to be here," said Lisa Law, a homemaker, who was flown from Little Rock to Washington for the event with her husband and three children. It was Mrs. Law's first plane flight, and the Republican National Committee paid for it.

Mr. Bush called Mrs. Law and the others "real, live Americans who will benefit" from his proposals. "I have one message for all the folks that were our 'tax families' and all the folks from around the country," the president said. "You helped me make my case, and now I intend to make good on my promise. I want it to be said that ours is a plan that fulfills a campaign promise."

After the families posed for photographs with the president, the business leaders arrived for lunch. The group of 22 executives included Jerry Jasinowski, president of the National Association of Manufacturers; Donald Fisher, chairman of Gap Inc.; and Stephen W. Sanger, chairman of General Mills.



Despite Mr. Bush's clear message that he did not want to see his proposal weighted down with other provisions, business groups said they intended to press their case for corporate tax cuts at the White House and on Capitol Hill. Some of the executives at the White House today were members of the American Council for Capital Formation, a coalition of trade associations and companies hoping to present a united front to the administration in pressing the case for a broader tax cut.

The coalition said it would press the administration to adopt one of two major changes: a reduction in the corporate income tax rate to 25 percent from 35 percent over three years, or an acceleration in the rate at which businesses could write off their investments in new equipment.

The group said it would also seek a change in the tax code so that multinational corporations based in the United States would only pay taxes in the United States on income generated in the country, while continuing to pay taxes abroad on profits earned overseas.

In addition, the coalition said it would support a package of retirement savings incentives, including expansions of the popular individual retirement account and 401(k) programs.

Charls E. Walker, a longtime tax lobbyist who is chairman of the coalition, said he could not put a dollar figure on the provisions the group was seeking, but he said that the changes were affordable.

Mr. Walker and other members of the coalition met today with Donald L. Evans, the commerce secretary, and Lawrence B. Lindsey, the White House economic adviser, before their lunch with Mr. Bush.

Other business groups are also pressing Mr. Bush for corporate tax cuts. The Business Roundtable, a group of the largest corporations, said it would push for \$1 of reduction in the corporate income tax rate for every \$5 dedicated to tax cuts for individuals. That would amount to \$320 billion on top of Mr. Bush's \$1.6 trillion plan.

On Capitol Hill, House and Senate Democrats began a coordinated campaign to brand Mr. Bush's plan as far costlier than he was letting on and particularly favorable to the wealthiest Americans. Yet Democrats have not united around a particular alternative to Mr. Bush's plan.

The 54-member Congressional Progressive Caucus will introduce its proposed \$900 billion tax-cut plan on Thursday. It would give a refundable tax credit of about \$320 to every American, no matter what their income, and would make the benefit dependent on a budget surplus.

"A family of four earning \$20,000 a year will receive about \$1,300 in tax breaks, and Mr. and Mrs. Bill Gates and their children will receive the same," said Representative Bernard Sanders, a Vermont independent.

## **Generous GOP Donors Discuss the Details Over Closed-Door White House Lunch**

Wall Street Journal

Some of the GOP's most generous donors were treated to a private luncheon Wednesday with President Bush to discuss his tax package.

All told, about 20 industry executives who gathered at the White House had contributed more than \$14 million to GOP causes in the last campaign cycle. Their luncheon was longer and much more private than President Bush's Tuesday tax-cut event in Virginia with a group of small-business owners.

The White House provided few details of the meeting, and no attendees were available for comment afterward. However, one of the participants, Charls Walker, chairman of the American Council for Capital Formation, said in a statement that he strongly supports Mr. Bush's proposal but also wants a broad-based corporate tax cut, which isn't in the president's proposal. The idea of such a tax break came up during the White House meeting, but Mr. Bush showed no sign of wavering.

Thursday, Mr. Bush will hold a morning meeting at the White House with high-tech executives, many of whom were also major GOP contributors.

Bush spokesman Ari Fleischer said the White House doesn't review contributions before inviting guests to Washington. He pointed to the Tuesday event, at which one participant proclaimed she hadn't voted for Mr. Bush. "You can't just look at specific meetings," he said.

Wednesday's luncheon included such prominent businessmen as Jack F. Welch Jr., chairman and chief executive officer of General Electric Co., and Alfred Lerner, chairman and CEO of MBNA Corp. MBNA donated more than \$3.1 million to Republican causes and an additional \$100,000 to the Bush inaugural fund, while GE donated \$1.1 million to campaigns, according to the Center for Responsive Politics. Company totals may include donations from corporations, their employees and their political action committees.

Others at the table were Mr. Bush's longtime financial backer, Kenneth Lay, who is chairman and CEO of Enron Corp., which donated \$1.8 million to Republicans and an additional \$300,000 to Mr. Bush's inaugural; Maurice "Hank" Greenberg, chairman and CEO of American International Group, which donated \$801,951 to Republicans, and Leslie Warner, chairman and CEO of Limited Inc., which donated \$983,769.

Executives of several investment and securities firms were represented, including Donald Marron, chairman and CEO of PaineWebber, \$966,321; Linnet Deily, vice chairman of Charles Schwab, \$580,500; and Gerald Parsky, chairman of Aurora Capital Group, \$371,505.

Among other attendees, Joseph Canizaro, president and CEO of Columbus Properties in New Orleans, gave \$637,500 to GOP causes, and Sam Fox, chairman and CEO of the Harbour Group, gave \$650,300. Tim Timken, president of the National Association of Manufacturers, also attended; he is chairman of Timken Co., which gave \$642,000.

## **On the Editorial Pages on February 8, 2001**

### **Favoring the Rich**

Boston Globe

The U.S. Tax Code forged from periodic congressional compromises and riddled with special interest loopholes, has nonetheless been an effective tool for raising revenue and fostering economic growth. Contrary to what President Bush has been saying all week, it is not good policy to lower all the income tax rates that are the bedrock of the taxation system.

"It's tax relief for everybody who pays taxes," Bush said of his plan. "That's what the times and basic fairness demand." The system, for all the revisions over the years, continues to be based on the premise that those who earn the most ought to pay the most. This principle ought to be maintained.

Rates can go too high, and no one is considering a return to the bad old days of a 90 percent top bracket. The highest rate is now 39.6 percent, thanks to the tax law proposed in 1993 by President Clinton and denounced by the Republicans as the precursor to a recession. The Clinton tax schedule has served the nation well during the boom of the 1990s, the longest period of prosperity in US history.

Income taxes gathered during this time brought in enough revenue to end the era of budget deficits. Yet the rates did not discourage the rich from increasing their earnings. According to Citizens for Tax Justice, income of the top one percent of taxpayers rose 40.9 percent during the 1990s, to an average of \$915,254. The income of the lowest 40 percent increased less than 4 percent.

Bush would cut the top rate to 33 percent and lower all the other rates as well, so that all taxpayers can get a cut of the huge surpluses that are predicted over the next decade. But the rich would benefit far more than the less affluent families whom Bush has been appealing with this week.

The rich have already benefited from the decision of Congress in 1997 to cut the capital gains tax from 28 to 20 percent, significantly below the income tax rate. This year, Congress ought to target tax benefits to those further down the ladder. It would be sound policy to reduce the number of revenue draining loopholes as well.

The Democrats are starting to unveil their own tax cut plans, which so far consist of targeted tax breaks left over from Al Gore's campaign. They ought to go further and devise a tax credit to compensate for the impact of the Social Security payroll tax, which affects low-income people far more than the income tax.

"Life is unfair," President Kennedy once said. He was referring to the fate of servicemen in war, but he could as aptly have been describing the US economy, where birth or the advantages of a good education often lead to great wealth. The next tax cut ought to mitigate this reality, not worsen it.

# A Tax Cut That Redistributes to the Rich

By ALBERT R. HUNT

The gist of the Bush tax plan to be formally presented today is analogous to a familiar baseball riddle: Which brothers hold the Major League record for the most home runs? Answer: Hank Aaron, who hit 755, and his brother Tommy, who hit 13.

The wealthy are the Henry Aarons of the Bush tax plan, while working-class taxpayers are the Tommys. But the president packages the cut as equally generous to all.

In reality, middle-class Americans are the "Trojan horse" that will deliver the real goodies to the rich. That was the description former Reagan budget director David Stockman offered 20 years ago, in a famous interview with journalist William Greider, acknowledging that the real purpose of similar tax cuts was to reduce the top rate for the wealthy.

Most appalling in the Bush plan, however, is who's left out. The president talks about helping the \$25,000-a-year waitress with two kids, but the Center on Budget and Policy Priorities, a liberal advocacy group that conducts widely respected research, reported yesterday that under the Bush plan, 12 million lower- and moderate-income families, supporting 24 million children, would get nothing. Over half of African-American and Hispanic kids wouldn't benefit from the Bush initiative.

Congressional Democrats still hope to shave the \$1.6 trillion proposal (actually it's closer to \$2 trillion over 10 years), but with reports of burgeoning surpluses and Alan Greenspan's blessing for a large tax cut, their success will be limited. More promising will be attempts to shape it so that those kids get something, while Bill Gates and the newly arrived Marc Rich get less.

Democrats will have to directly challenge the false Bush assertions that this is a middle-class-oriented tax cut, that it's necessary to stimulate the economy and that attempts to change it amount to class warfare.

Even Mr. Greenspan doesn't argue the tax cut is an effective antirecession measure. It's disingenuous to argue that making it retroactive will provide stimulus; the actual cuts wouldn't kick in until the second half of this year. By then, according to William McDonough, the head of the New York Federal Reserve, there will be "quite strong" economic growth anyway.

Moreover you don't stimulate consumer confidence by skewering a tax cut to the upper incomes. Under the Bush measure, the top 1% of income earners -- people who now make \$750,000 or more before taxes annually -- would get more than the bottom 80% of all taxpayers combined.

Conversely, people living at or slightly above the poverty level get nothing. Yet the past decade has been incredibly prosperous for the wealthy and not nearly so good for the struggling working poor.

## Spoils to the Winners

|                          | Average after-tax income in 1997 | Percent change in past decade (1989-97) | Bush tax cut ** | Average Bush tax cut percentage ** |
|--------------------------|----------------------------------|-----------------------------------------|-----------------|------------------------------------|
| <b>Top 1% income</b>     | \$518,000*                       | 24.1*                                   | \$39,000        | 36.2                               |
| <b>Bottom 20% income</b> | \$8,785**                        | 2.4**                                   | \$42            | .8                                 |

\* IRS, in '97 dollars adjusted for inflation

\*\* Center on Budget and Policy Priorities

Yeah, the Bush supporters reply, but proportionally larger cuts go to middle-class Americans and their tax burden then will be comparatively less.

That's only arguably true if you accept two sleights of hand that are Clintonian in scope: Excluding the estate tax and the payroll tax from any of these calculations.

The back-ended proposal to end the estate tax will ultimately reduce federal revenue by \$60 billion a year; this tax is paid only by the richest 1.9% of estates. And the president may conveniently ignore the payroll tax in his claims, but most Americans can't. Some 74% of taxpayers pay more in payroll taxes than in income taxes.

White House spokesmen harp on how low-income people get their tax liabilities wiped out. A \$26,000-a-year couple, with two kids, would have their income tax liability eliminated. The savings: \$20. They still would pay \$2,689 in payroll taxes. Thus this widely billed 100% tax cut amounts to less than 1% of their federal tax liability.

As for the class-warfare charge, one question: Why is it class warfare if the argument is that hard-pressed lower-income working folks ought to get proportionally more? No one is arguing that higher taxes ought to be slapped on Bill Gates or Marc Rich.

But any measure should be held accountable for its results. And the Bush tax plan clearly would create a more regressive system where the affluent pay comparatively less and lower- and middle-class Americans pay relatively more. The most affluent 1% currently pay 20% of all federal taxes; they get 36% of the Bush tax cut.

Take, for instance, the pro-family notion of increasing the child tax credit to \$1,000 per dependent from \$500. The Bush plan raises the level at which the credit starts to phase out to \$200,000, from \$110,000. But the credit wouldn't be refundable, so families that don't pay income taxes -- but may pay payroll levies -- wouldn't get it.

Thus a middle-management couple, with two kids, making \$180,000 a year would get a \$2,000 tax break. But the \$18,000-a-year busboy and his spouse with two kids wouldn't get anything. Is that pro-family or good tax or social policy?

Democrats -- possibly with help from moderate Republicans -- can rectify many of these deficiencies. The child-care credit can be made refundable; the Earned Income Tax Credit for the working poor can be liberalized, and real payroll tax relief can be provided out of general revenues.

The harder task will be to pare back the massive tax breaks to the very rich. On the estate tax, there may be a case to lower rates and raise the threshold (slated to rise to \$2 million) below which no levies are assessed, especially if some loopholes can be closed. Proponents parade repeal as an effort to help heirs of family-owned farms or businesses, yet a Treasury study found these comprise less than 1% of all estate taxes. The Bush proposal to cut the top rate from 39.6% to 33% -- affecting only annual income of more than \$297,500 a year -- loses about \$30 billion a year in revenue. A much smaller cut in that top rate would lose a lot less money.

There would be screams, of course, from lots of campaign contributors, Democrats as well as Republicans. And Mr. Bush will continue to insist that under his plan the "average" American family gets a \$1,600 tax cut, ignoring the fact that more than 80% get less than that. But then, some insist that the Aarons hit an average of 384 home runs.

## **Bush's Big Little Tax Lie**

By Matthew Miller

*Tribune Media Services*

Watch the language carefully as President Bush rolls out his tax plan this week because Bush's call for a tax cut "for everyone who pays taxes" is the little lie that tells big truths about his agenda — and also reveals Bush's deep psychic distress.

Bush's plan does indeed offer a tax cut for everyone who pays income taxes. It does not offer a break to millions who pay payroll taxes (those hefty "FICA" deductions from your paycheck) but who don't earn enough to owe income taxes.

Unfortunately, three in four workers pay more in payroll taxes than they do in income taxes, including virtually everyone who earns between \$20,000 and \$50,000 a year. (This three-in-four figure counts the employer portion of the payroll tax, which economists agree is indirectly borne by employees in the form of lower wages or benefits.)

You learn a lot about presidents by what they choose to hide. Bush's decision to omit that single word — his failure to say his tax cut is for everyone who pays "income" taxes — shows he's defensive about it. It reveals the presidential conscience.

It's obviously a cry for help. The man is in pain.

We know that Bush can't be cynically cloaking a trillion-dollar giveaway to his rich pals as a plan targeted to needier Americans. We know this because Bush told us over and over during the campaign that he was a "plainspoken" man, unlike those hucksters he pledged to banish from public life.

We also know Bush is a man who has traveled a journey of personal redemption already. We therefore owe it to our new leader — out of patriotic compassion, really — to expose his latest hoax since he's plainly a big-hearted fellow who somehow got trapped in an unjust agenda and is dying to get out.

Until Bush gave us a wink by omitting this critical word, his evil aides doubtless thought they had the boss fooled. Remember how they rounded up "real people" in the campaign who would supposedly benefit more from Bush's tax plan than from Al Gore's? They were just regular folks — people without children or parents or savings accounts or tuition payments or other attributes we associate with the vast majority of American Homo sapiens. But once Bush's aides turned up these rare specimens, they figured Bush was sold on his plan's beneficent design.

Shrewdly, as the real impact of his plan has dawned on Bush, he's kept everyone off balance. When he told congressional leaders, for example, that "it's important for us not to let the tax-relief debate fall into a class-warfare debate," you couldn't be sure if Bush realized that he was the one waging class warfare by offering more relief to a handful of wealthy Americans than to tens of millions of working stiff.

But now, thanks to The Missing Word, we know that Bush knows. We can't be sure, of course, when he figured it out. But let's leave it to historians to ask, "What did the president know about the distributional impact of his tax plan, and when did he know it?" As citizens, our duty is clear.

"The country has prospered mightily over the past 20 years," Bush told the nation the other day. "But a lot of people feel as if they have been looking through the window at somebody else's party. It is time to fling those doors and windows open and invite everybody in."

Can you imagine the toll it's taking on Bush, pretending to believe this blather while his plan is almost exclusively devoted to making the rich richer? Bush wasn't smirking all this time at all, it turns out: He's had a tic that tells of enormous suffering. We thought Bill Clinton was the last president we'd see endure a psychological meltdown while in office — and now this.

We hear you, Mr. President. Give us a little time.

We'll get you out of this jam.